

# FUNDING FOR THE FUTURE

*WGFD'S FINANCIAL STATUS AND  
CHANGING ECONOMIC ENVIRONMENT*



December 07, 2012

**Wyoming Game and Fish Department**  
**Conserving Wildlife - Serving People**

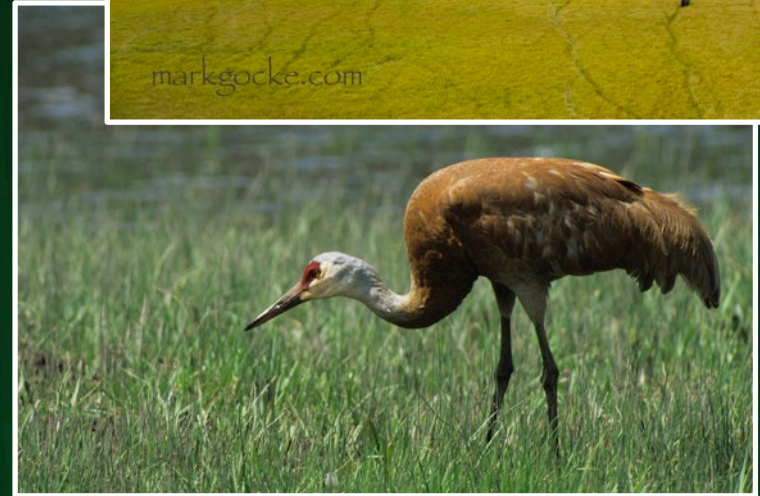
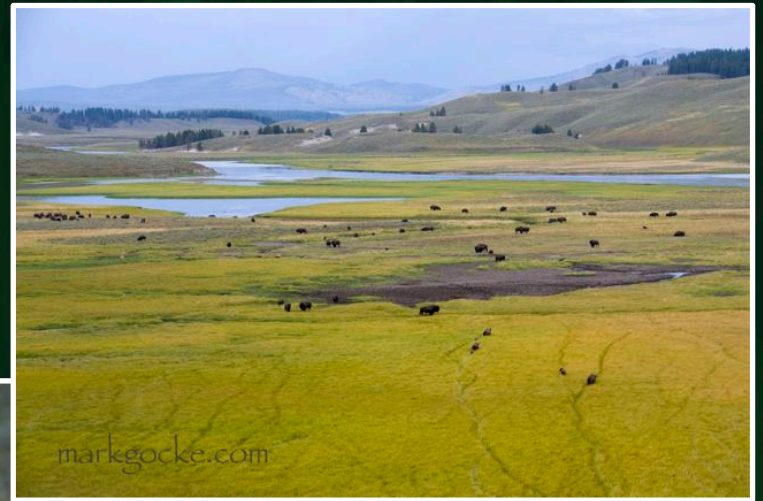
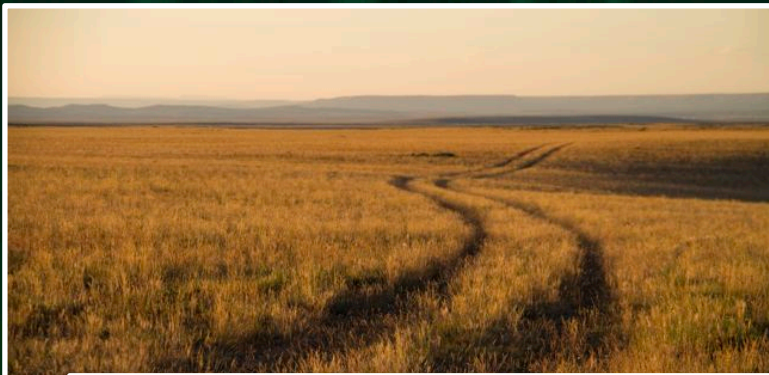




“I don’t believe there has been a time in the history of our state when there has been a greater number and variety of challenges facing our wildlife; habitat fragmentation and degradation, disease, climatic extremes, endangered species listings and potential listings, invasive species, and many, many more. The Wyoming Game and Fish Department is directed by state law and expected by its residents to provide for the needs of all wildlife in the state. However, the single most important challenge facing the future management of wildlife today is the lack of adequate funding for management and conservation.” – Director Scott Talbott







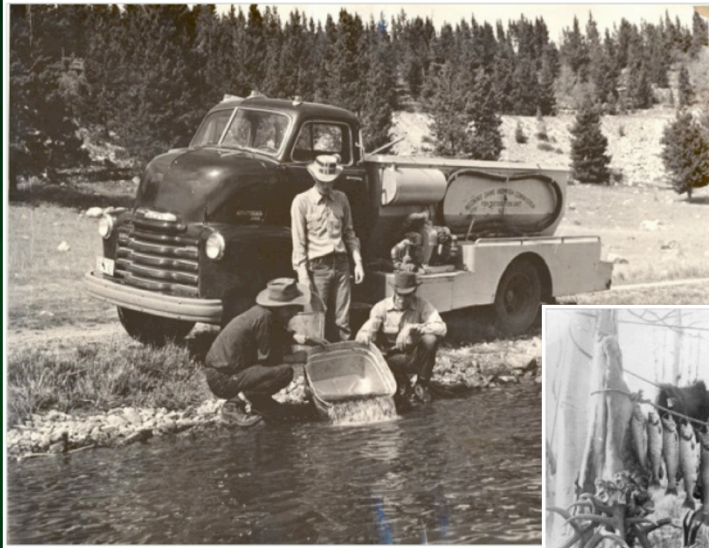
For more than 200 years, wildlife has been a defining part of the Wyoming experience. The herds thread their way through our collective imagination, from the journals of Robert Stuart and Osborne Russell to the stories we tell over coffee today. A drive across the state is punctuated by antelope, golden eagles, deer, sandhill cranes, and trumpeter swans. Where else but Wyoming do antelope browse on the grounds of the state capitol building? Where else do you have to brake for moose and bison? Our lives are set against a tapestry of wildlife; it's in our blood



We are caretakers of an abundant assembly of wildlife in a unique piece of country. People travel half way around the world to experience what Wyoming offers. As the keepers of this landscape, we have a responsibility to those people. Moreover, we have a responsibility to generations of Wyomingites not yet born. We owe them the chances we have had ourselves – the sight of a thousand pronghorn antelope strung out through the sage, on their way to winter range. The sound of sage-grouse dancing in the first softening days of spring. The rumor of a grizzly in the high timber.



# The North American Model





To get a full understanding of the funding challenge facing the Commission and why the department is currently seeking additional funds, we must look at some core concepts of wildlife management and some historical landmarks in our history.

Wildlife in Wyoming is managed under the principles of the North American Model of Wildlife Management. There are seven pillars of this model including:

- Wildlife as a Public Trust Resource
- Elimination of Markets for Wildlife
- Allocation of Wildlife by Law
- Wildlife Should Only be Killed for Legitimate Reasons
- Wildlife are Considered an International Resource
- Science is the Proper Tool for Developing Wildlife Management and Policy
- And the, Democracy of Hunting

A core concept of the North American Model is that users of the resource pay for its care and conservation. Those who understand this model and recognize the role and contributions of hunter and anglers know their continued support and participation is vital to the future of wildlife conservation.



For over 100 years, hunters and anglers have provided nearly all of the financial resources to support wildlife conservation, and not just game species but all wildlife.

The public understanding of the model and the fact that the number of people who hunt and fish is declining should help to emphasize the importance of our work to involve more people in wildlife conservation and management beyond the traditional hunter and angler.

The arrival of white settlers with their railroad, unregulated hunting and other factors took a significant toll on our fish and wildlife resources. Soon, there were only 800 wild bison left on the planet, only 5,000 pronghorn antelope, elk, mule deer, beaver, sage grouse and other species of wildlife also experienced a similar decline.

Wyoming's territorial government made a few attempts to establish regulations to slow these declines. In 1875 there was a big game season which was open from August 15 to January 15. Animals were only to be killed for food and human subsistence. There were no provisions for enforcement, game laws and regulations were largely ignored and our wildlife species continued to decline.

Upon statehood, Wyoming immediately embarked on a series of steps to conserve and manage the state's wildlife. Lawmakers recognized the aesthetic and economic value of wildlife to this state and realized wildlife and its habitat were finite resources that needed to be managed wisely.



# Statutory Responsibility



- The Wyoming Game and Fish Commission was established by the Legislature in 1921.
- Wildlife was encoded in law as property of the state.
- Title 23
  - Articles 3 and 4
    - General powers and duties of the Commission
    - Creation and organization of the Game and Fish Department
- The purpose of the Commission is “to provide an adequate and flexible system for control, propagation, management, protection and regulation of all Wyoming wildlife.” (23-1-103. Ownership of wildlife; purpose of provisions)



Two important dates in our history are 1929, when the Wyoming legislature took a big step to remove politics from wildlife management by giving the Wyoming Game and Fish Commission the autonomy to open and close hunting and fishing seasons. Until 1937 the Commission operated with legislative funds. In 1937 the legislature passed Wyoming Statute 23-1-103 which states “ ... it is the purpose of this act and the policy of the state to provide an adequate and flexible system for the control, propagation, management, and protection of all Wyoming wildlife” and very importantly transferred the control of the Game and Fish Fund to the Commission.

1937 was the same year the Congress passed the Federal Aid in Wildlife Restoration Act. This Act provided additional revenue for state wildlife management agencies for the management of wildlife resources. This funding was generated from taxes on hunting and fishing equipment, further supporting the model that hunters and fishermen should pay for wildlife management and conservation. In 1902, D.C. Nowlin, Wyoming's first state game warden reported to the legislature that nonresident hunters had spent more than \$175,000 on licenses, guide fees and equipment to hunt and fish in Wyoming. More than 100 years later, the “user-pays” system is still the basic model used to fund the Wyoming Game and Fish Department.



# Participation



Wyoming residents have among the highest participation rates in the nation in wildlife related recreation.

- 57% of Wyoming residents hunt, fish, or view wildlife (2006 USFWS Survey of Fishing, Hunting, and Wildlife-Associated Recreation)
- 20% hunt (Estimation based on licenses sold)
- 25% fish (Estimation based on licenses sold)

This translates annually into :

- 102,000 hunters, 904 thousand hunting days
- 203,000 anglers, 1.7 million angling days
- 643,000 wildlife-watching participants, 3 million days
- (USFWS 2006 Wyoming Report - residents and non residents)





# Economic Contribution To Wyoming

- Wildlife is an economic engine for Wyoming.
- Direct wildlife related recreational expenditures in Wyoming are \$1.1 billion annually (2006 USFWS Survey of Fishing, Hunting, and Wildlife-Associated Recreation).
- Additionally, tourism is the second leading industry.
- Spending by all domestic and international visitors in Wyoming was approximately \$2.9 billion in 2011 (Dean Runyan Associates. 2012, Wyoming Travel Impacts 1998-2011p, Prepared for Wyoming Travel).
- Wildlife is one of the leading reasons people visit the state.





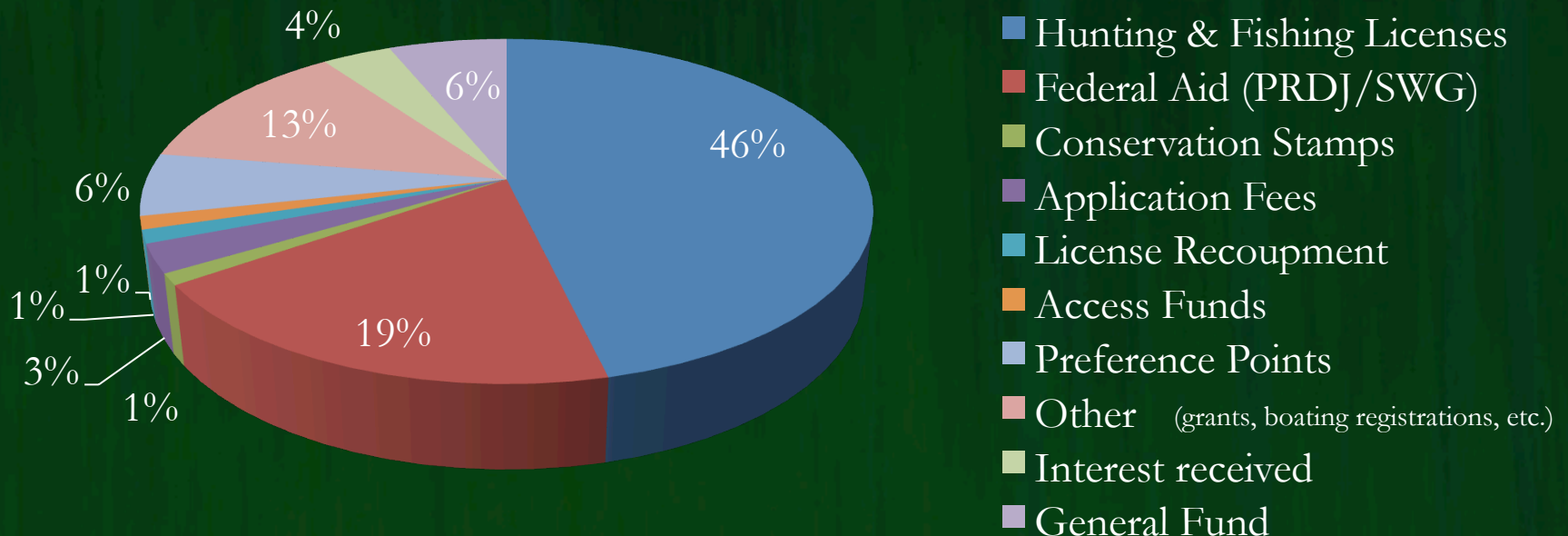
# BRIEF FINANCIAL HISTORY



# Funding Sources

- Wyoming Game and Fish Funding – historically user-based (license fees, federal excise taxes)
- General Fund \$ for specific programs, acute needs (Aquatic Invasive Species (AIS), Sage Grouse, Vet Services, CWCS, Wolf Mgmt)
- Fiscal year 2012 Estimated Revenue (~\$62.5 million, excluding general funds)

## FY11 Revenue Composition





- Approximately 60% of funding comes from sales of licenses, stamps, preference points, application fees, etc.
- 19% comes from federal excise taxes on hunting and fishing equipment. PR/DJ funds are sportsmen's dollars collected federally and distributed back to the state for restoration based on a formula that considers state area and licenses sold.
- General funds comprise only 6% of total WGFD budget, and are approved for specific programs that have broad public benefit.
- Much of remainder comes from interest earned on funds from these sources.

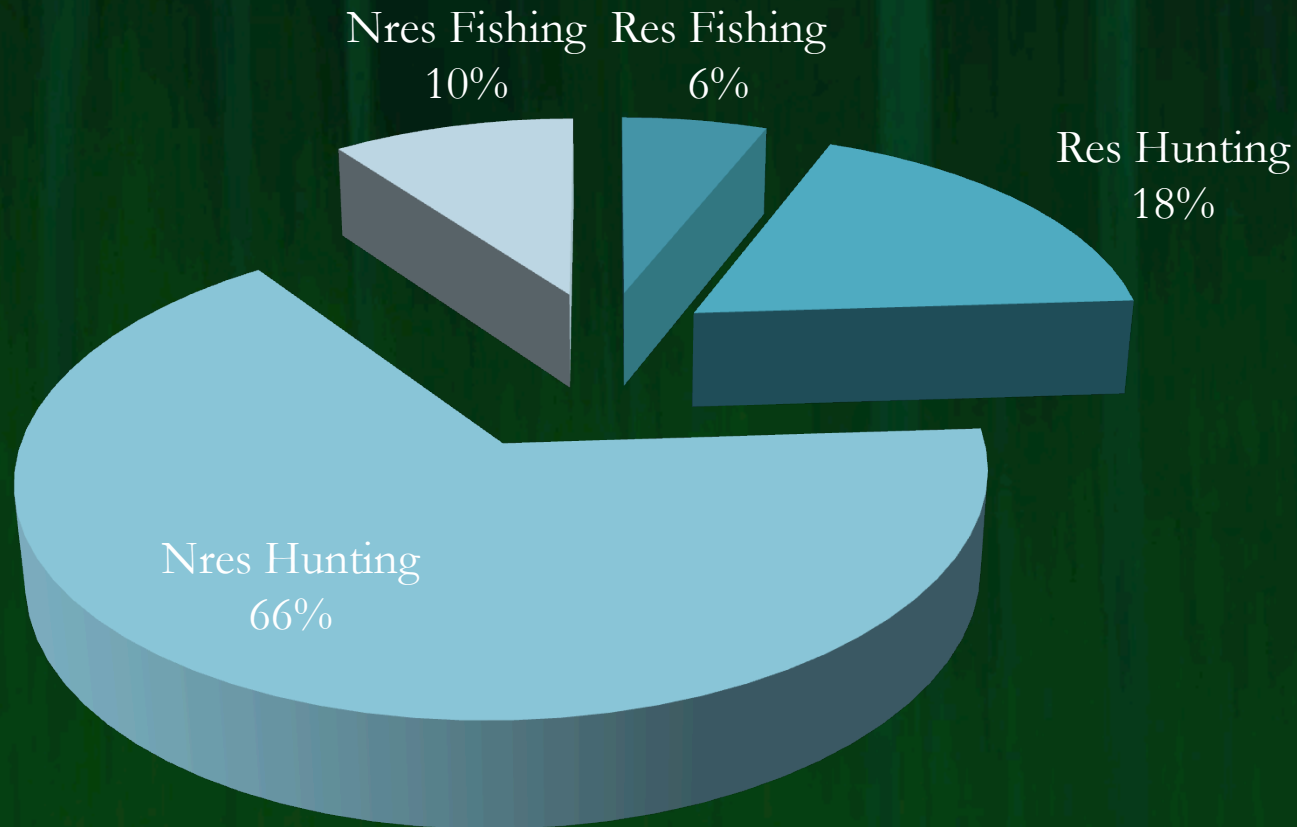
#### General fund programs:

- Vet Services and Sage Grouse added in fiscal year 2006 budget
- CWCS (sensitive and endangered species) and Wolf Management added in fiscal year 2009 budget
- Aquatic Invasive Species (AIS) added in fiscal year 2010 budget



# License Revenue

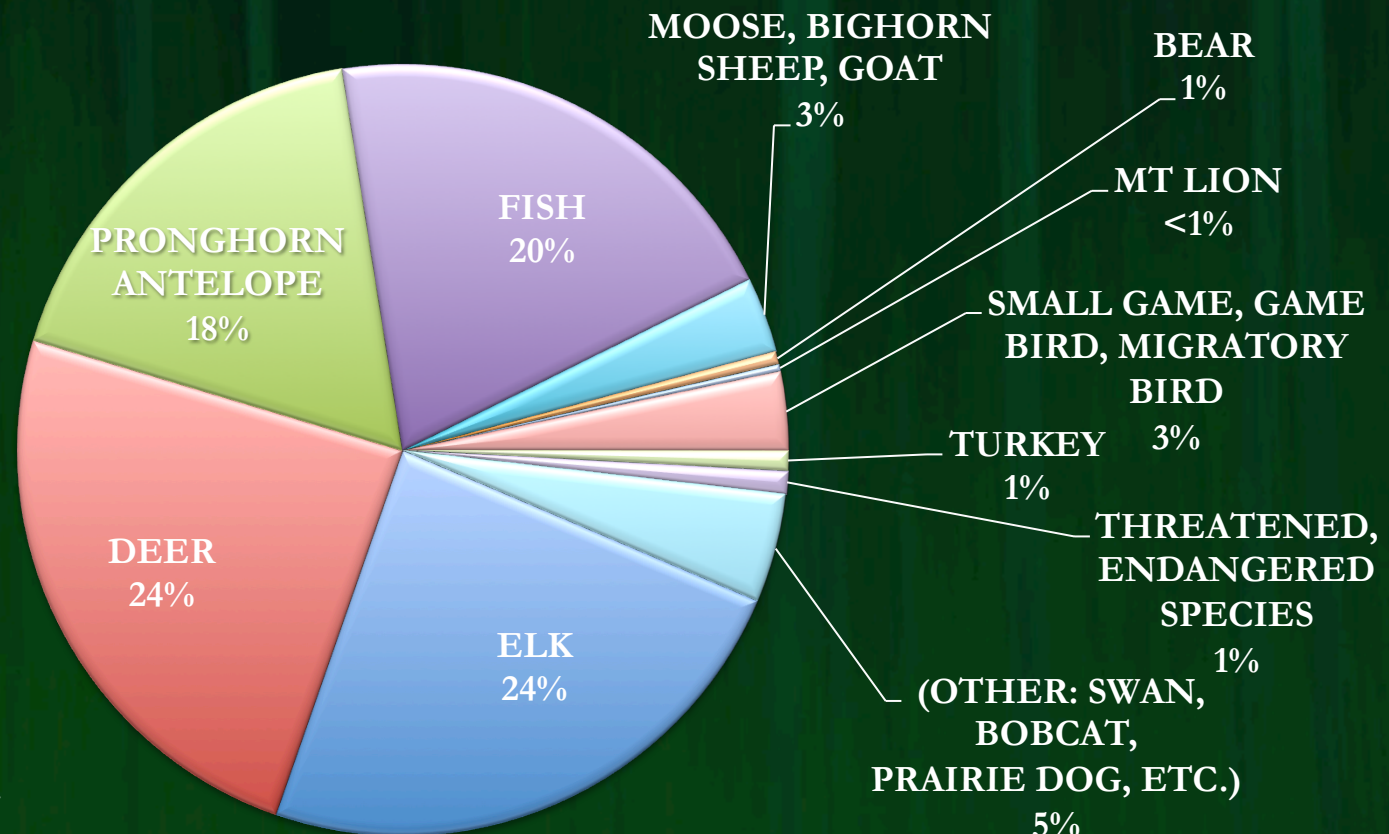
- 76% of license-related revenues come from nonresident hunters and anglers (primarily deer and antelope hunters); however, most licenses are purchased by residents





# Revenue by Species Fiscal Year 2011

- 86% of the revenue generated from all sources (general, Game & Fish funds, federal aid and other grants) is attributable to deer, elk, pronghorn antelope, and fish.
- Other species such as moose, bighorn sheep, goat, and small game make up the remaining 14%.



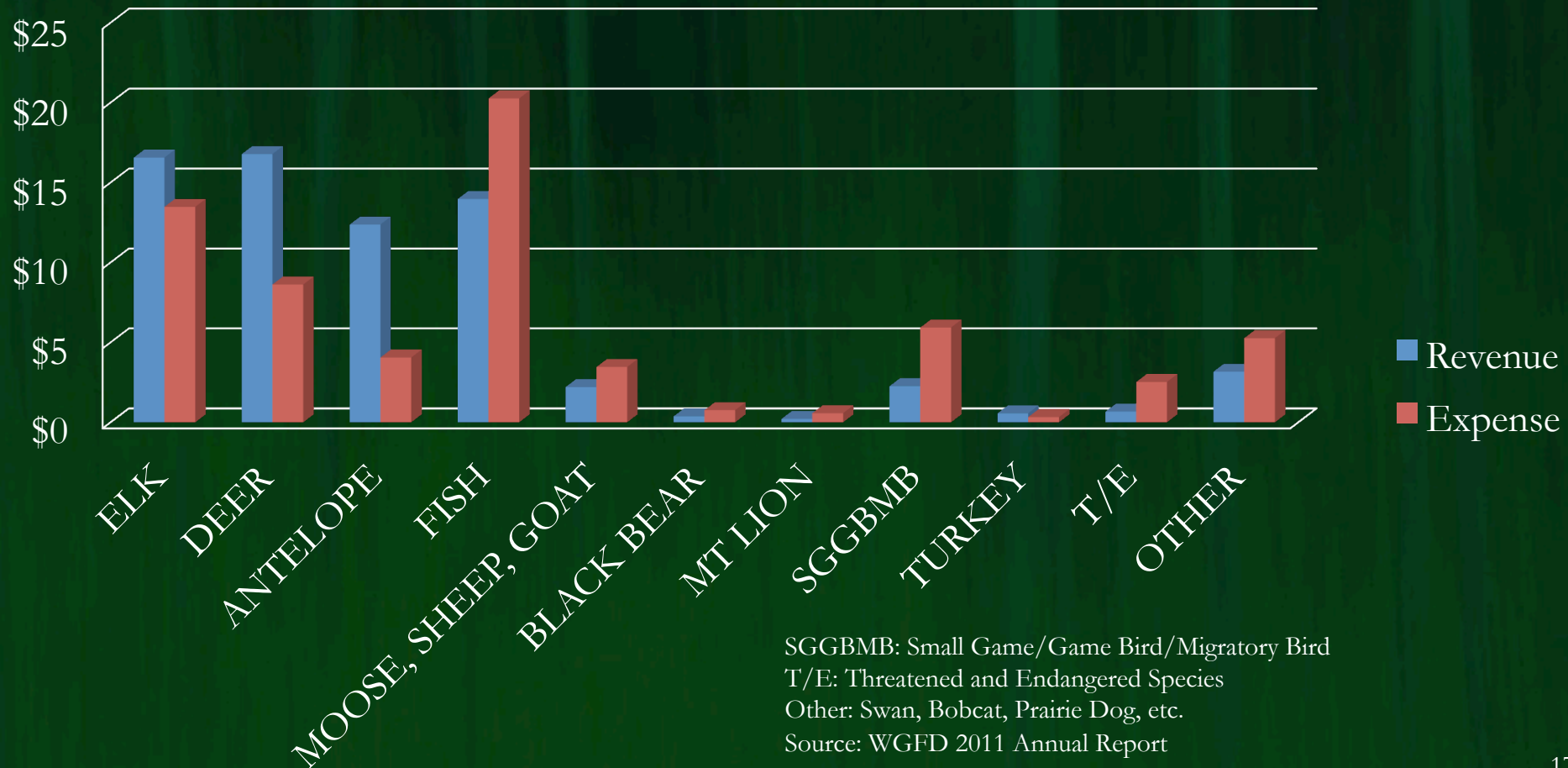
Note: Percentages include G&F funds, general funds (excluding capital construction), federal aid grants, and other grants, etc.



# Revenue vs. Expenditure

Elk, deer, pronghorn antelope, and fish are the largest revenue sources. Fish, elk, and deer comprise the largest expenditures.

## Comparison By Species (millions)





# FINANCIAL ACCOUNTABILITY



# Annual Budget Process

- Statutory Authority 23-1-502
  - Annual Budget
- Inclusive internal budget development
  - Modified, zero-based budget approach
- Follow basis of strategic plan
- Operate under the authority of the Commission
- Financials reported on cash basis
- Monitoring of expenditures

# Budget Cycle

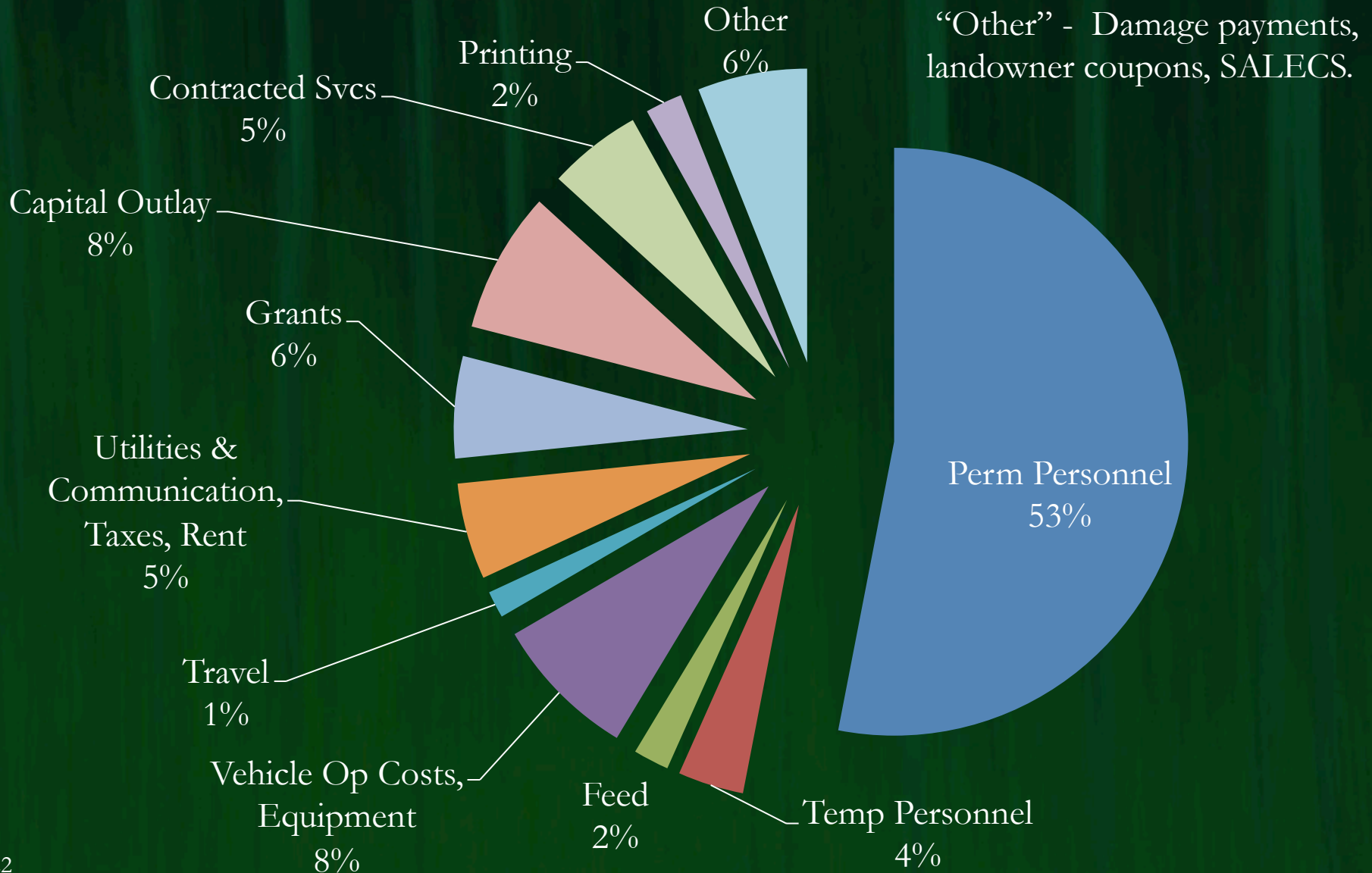
- *June-August*: General fund budget
- *August-November*: Commission budget guidelines
- *December- January*: Field level budget development
- *January- February*: Division review
- *March*: Budget consolidation
- *April*: Commission preliminary review
- *May*: Entry on State Accounting system
- *June*: Work plan finalization
- *July*: Commission formal budget adoption



# FY 11 Annual Expenses

- \$65.2 million (m)
  - General Funds - \$3.5m
  - WGFD operating fund (includes federal funds) - \$59.4 m
  - Access Fund - \$.85 m
  - Wildlife Trust Interest Fund Projects - \$.79 m
  - State Wildlife Grant Projects (federal funds) - \$.68 m
- Game and Fish funds established by W.S. 23-1-501

# FY11 Actual Expenditures





# Financial Reporting

- Monthly and Year To Date
  - Budget compared to expenditures
    - By Division, by Program, by Funding source
    - Current compared to previous years
  - Revenue compared to estimates
  - Cash balances and Fund balances
- Audits
  - Annually by State Auditor's Office as part of state-wide audit
  - Every five years by US Fish and Wildlife
  - External audits, reviews

# Cost Accounting Reports

- Every employee records time and vehicle use on a daily/hourly basis
- Every payment to a vendor, for travel reimbursement, or any other non-payroll payment
  - Has a species code
  - Has a geographic code
  - Has a project code
  - Has an activity code
- The department's cost accounting system allows for rigorous tracking and reporting of all agency costs. Every payment made can be tracked.



# Cost Accounting Reports

- Annually published report
  - Expenditures
    - By wildlife species
    - By Activity (hunter safety, wildlife data collection)
  - Revenue
    - By wildlife species
    - By funding source
- Determine Costs
  - Examples: Private Land Public Wildlife, Expo, Landowner Coupons

# FINANCIAL VIABILITY



# Enhance Efficiency

- Commission and WGFD establish the financial priorities
  - “Prioritization process brings focus to the operations and scope of the department” (2006 LSO Brief)
- Reorganize/restructure, combine duties or sections to optimize efficiency
  - Combined two work units into one-large carnivore section
  - Habitat section re-structured
  - Wildlife division reduced administrative positions since 2003 by 8% and increased field positions

# Enhance Efficiency

- Vacant position reallocation – transfer positions to areas of highest need
  - To ensure that the limited number of positions are dedicated to the agency's highest priorities, a process is established for evaluating all permanent vacant positions. When a position becomes vacant in a particular division, that division evaluates the vacancy against their priorities and then presents that information to the Director's Office and Division Chiefs. The Director's Office and Division Chiefs then evaluate the vacancy based on the other division's priorities. A final recommendation is provided to the Director's Office for evaluation in terms of the agency's highest priorities.
  - Example: Casper maintenance position (Wildlife Division) was moved to the Publications Section (Services Division) to support the agency's information and education priorities.
- Changes in processes to reduce costs and increase customer service
  - Electronic Licensing System (reduce paper and manpower)
  - Use of technology to reduce travel costs (video conferencing)



# Controlling Costs

- As a result of our constant prioritization and evaluation processes, historically total budgets of the WGFD have grown at a substantially slower rate than those of most other state governmental functions (2006 LSO Brief)
- Unspent funding in one fiscal year is available for budgeting in the following fiscal year, creating financial incentive for conservation of expenditures

# Cost Control Measures

- Phased-out two hatcheries; retrofitted hatcheries to increase production and decrease operational costs
- Closed permanent check stations and eliminated mobile hunter information stations
- Visitor centers closed at three locations; remaining three visitor centers unmanned
- Reduction in permanent employees
  - Eliminated 10 positions in 2009 and froze 3 positions in 2012
- Scaled back educational programs in the schools (Project Wild)



# Cost Control Measures

- Converted some publications from print to electronic format (news releases); efficiencies in postal costs
- Refurbishment of comfort stations on most habitat units and public fishing areas has been eliminated, with the exception of general fund capital construction appropriations
- Lands program has relied largely on third parties to cover the costs for purchased conservation easements with the exception of a few access easements
- Eliminated Fish Wyoming grant program

# Seek External Review/Input

- Public Opinion/Comments
- Customer Service Satisfaction Survey
- Historical External Reviews
  - Examples:
    - Anderson Consulting (licensing system and processes)
    - 2006 LSO Issue Brief (budget, license fees, personnel)
- Annual and Five-year Audits



# FINANCIAL OUTLOOK

With the license fee adjustment in 2008, the addition of new revenues from nonresident preference points and application fees, general funds for 5 programs, and cost saving measures the department has been able to extend what we anticipated to be adequate funding through 2011, to 2014. Additional revenue is needed by 2014 if the department is to continue providing the current level of services.

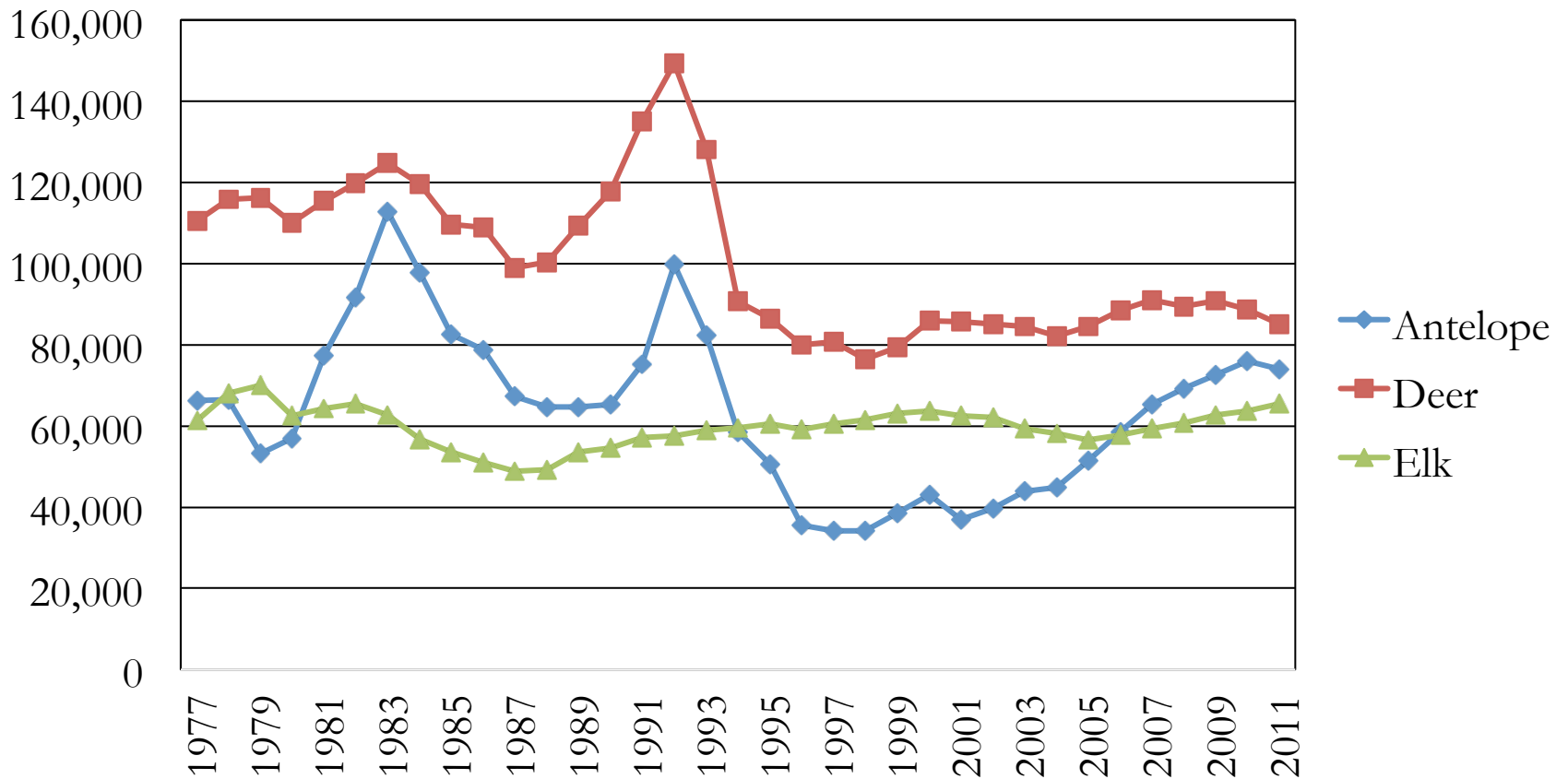


# Long-Term Financial Position

- Historically, expendable cash balances have increased immediately following a fee adjustment with declines occurring several years later as a result of inflation
- Without annual inflationary adjustments expenditures exceed revenues
  - Inflation (largest factor affecting everyday operations)
  - Recent declines in number of deer and antelope licenses issued
  - Based on current fiscal projections, assuming a 3% increase in inflation and a \$500,000 decrease in license sales (due to reduced population numbers of deer and antelope), cash balances will fall below levels needed to maintain our current level of services by 2015.

# Trends in License Issuance 1977-2011

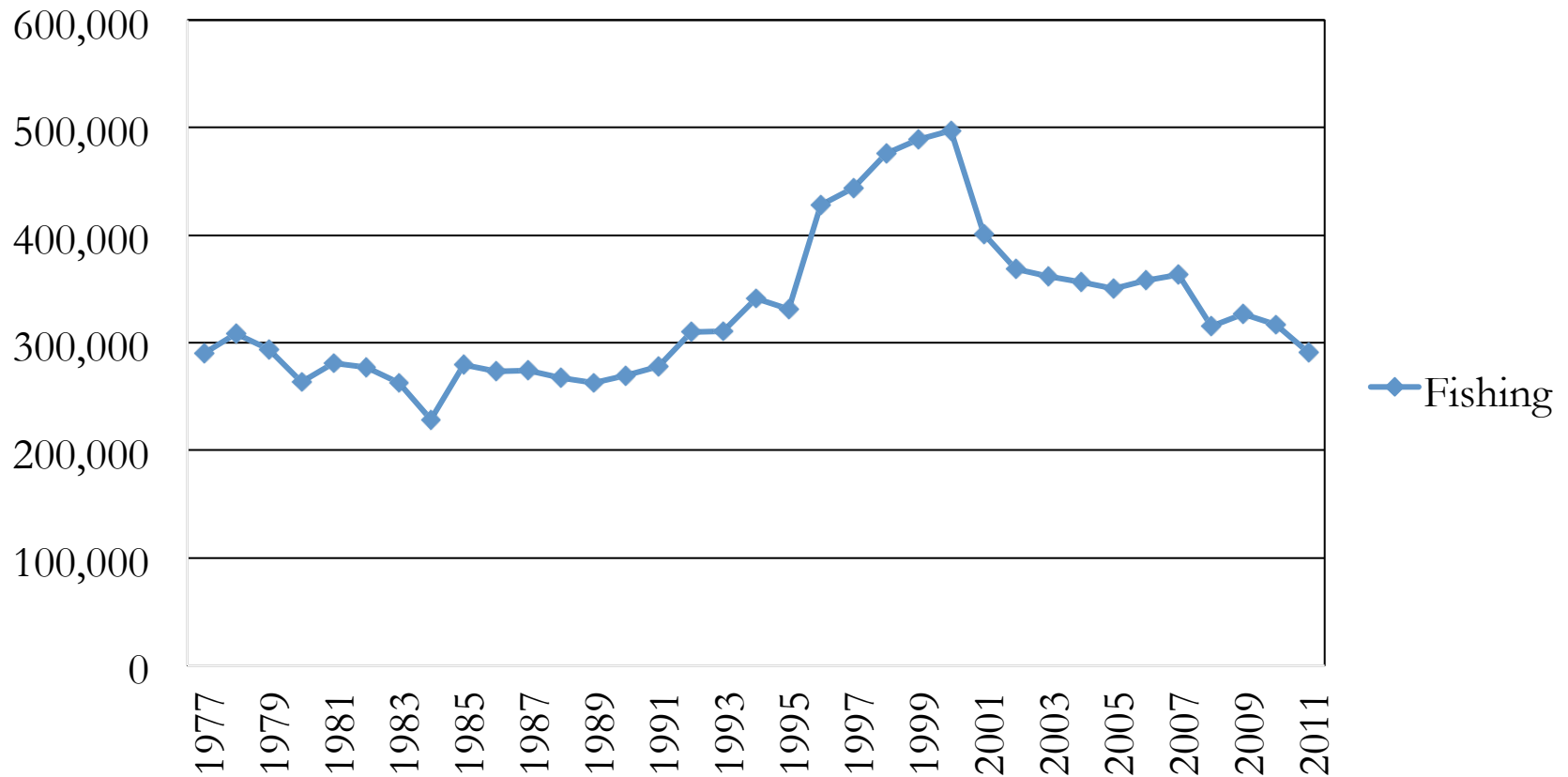
# of Deer/Antelope/Elk Licenses Issued





# Trends in License Issuance 1977-2011

# Fishing Licenses Issued

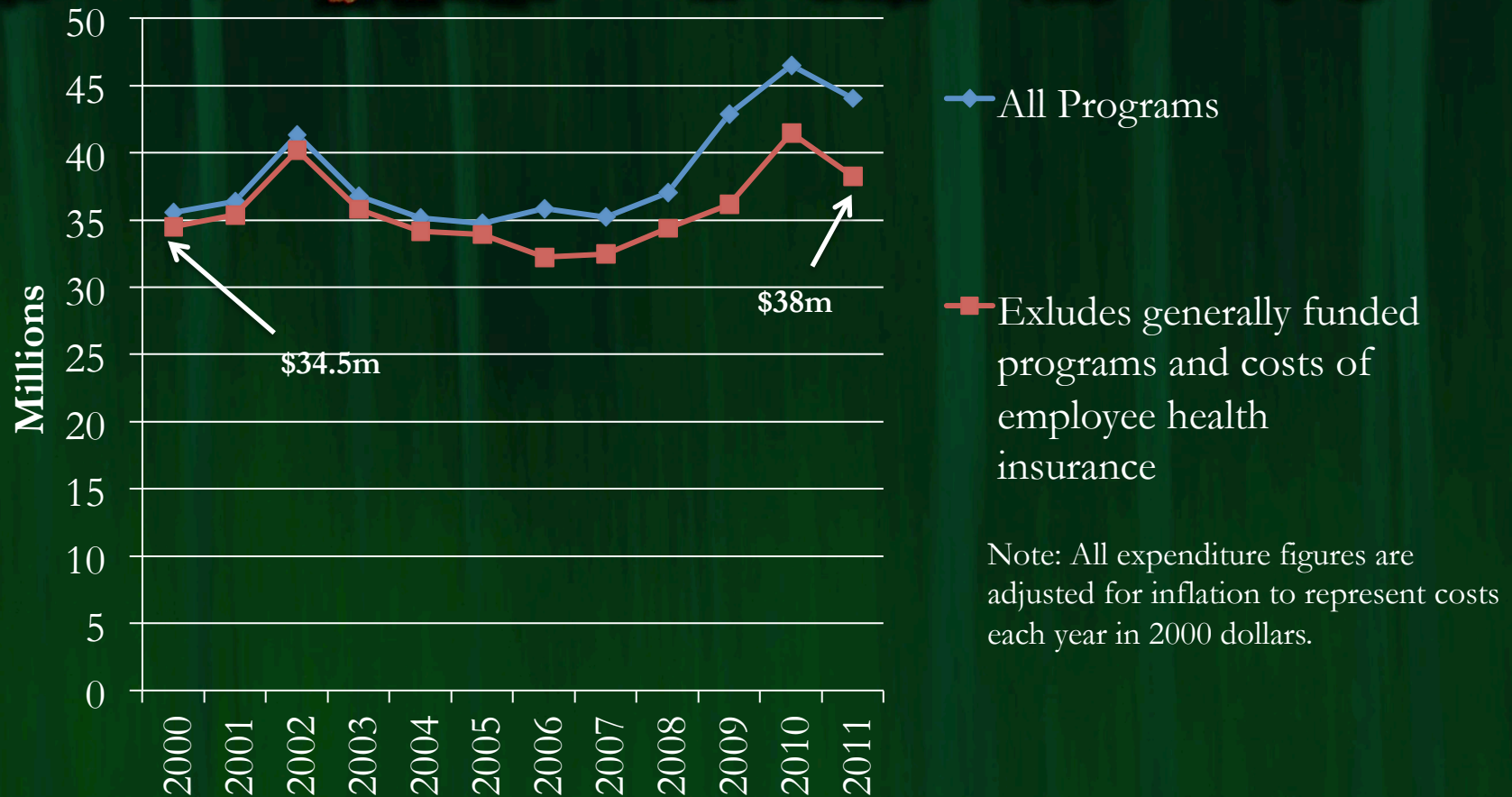


# Inflation

- Primary factor affecting everyday operating costs
- In 2008, inflation (using the Implicit Price Deflator, an index of state and local government costs) was 6.54%
- In 2009, inflation was -0.46
- Given 2010 and 2011 rates of 2.48% and 3.94%, respectively, inflation from 2008-2014 is estimated at 21.5%



# Agency Expenditures



- In 2000 Commission expenditures were \$34.5 million and were only \$38.0 million in 2011 after adjusting for inflation, and excluding general funds and the costs of health insurance.

# Primary Sources of Increased Expenditures

- Major cost categories that have affected budgets since the last license fee adjustment
  - Increased costs greater than average inflation (2008-2011)
    - Fuel (64%) and feed (26%) costs
    - Health insurance (36%)
  - Plus inflation of 12.5 % (2008-2011)



# SHORT-TERM FUNDING

- The department will need an additional \$8 to \$10 million in annual funding to sustain existing levels of services for the short term beyond fiscal year 2014.
- Failure to secure additional funding starting in 2014, even with budget cuts will result in reductions or discontinuation of programs.
- Traditionally anticipated revenue shortfalls have been addressed with license fee adjustments on a periodic basis.



# History of Fee Adjustments





- In the past, the WGFD has worked with the Legislature to implement regular, scheduled increases in licenses and related fees.
- Last overall increase took place January 1, 2008.
- Historically, there have been across-the-board percentage increases to offset some of the affects of inflation since the last fee adjustment.
- Surveys have shown license buyers support adjustments approximately every 4 years rather than very large adjustments every 8 to 10 years.
- Past license fee adjustments have also been accompanied with additional money making endeavors, such as the establishment of non-resident preference points and license draw application fees, which have extended the period over which these increases have sustained the department.



# New License Fee Approach





- The WGFD has contracted with Southwick and Associates which is a consulting firm that specializes in natural resource and environmental economics.
- By using a business-like approach through analyzing past license sales and surveying hunters and fishermen they will research individual license pricing to maximize revenue and hunter and angler participation.
- This approach has proven more profitable in other states than blanket fee increases.
- Their research has shown that both increasing and in some cases decreasing license fees can increase revenue.
- They will also be researching licenses that currently do not exist such as combination licenses and altering license length, such as multi-year fishing licenses, which are both popular with sportsmen and revenue generators.
- In addition, the department is investigating other potential sources of short-term funding including indexing license prices to inflation on an annual basis and cost recovery for services currently provided by the department for free.
- Besides investigating mechanisms to enhance short-term funding, the department is implementing aggressive cost cutting measures with 2-4% annual budget cuts planned for each fiscal year 2013-2016.



# LONG-TERM FUNDING

- Although addressing the imminent short term funding needs is the department's immediate concern and current focus, the WGFD and Commission feel it is also time to start a serious conversation on how to sustain fish and wildlife management programs well into the 21<sup>st</sup> century.
- Maintaining broad public access to wildlife has always been a founding principle under which the WGFD has operated.
- Access to wildlife and wild areas is part of the state's culture and identity and a leading attribute which makes Wyoming such a great place to live and work.
- One concern is that at some point license costs could exceed the price a significant proportion of the population is willing to pay, an outcome no one wants especially since one of the WGFD tenets is to provide hunting, fishing and viewing opportunities to anyone interested in participating. This is especially true if the department has to spend hunting and fishing related fees on non-consumptive programs that generate little or no revenue. General Funds received in recent years have certainly helped this situation.
- Any fee adjustment to our traditional wildlife users, in the absence of new funding mechanisms, will be a temporary fix to the department's financial needs.
- Adjustments to license fees alone will not sustain the department, as in the past, due to anticipated reduced sales of antelope and deer licenses and federal aid.



# Increasing Cost of Wildlife Conservation





- In addition to inflation and rising operational expenses reviewed earlier, the department is facing new and intensifying threats which are increasing the cost for maintaining the existing quality of Wyoming's wildlife resource.
- Some of the more immediate and well known threats include invasive species, wildlife disease, fragmentation of intact habitats, predator management and increasing petitioning of species for protection under the Endangered Species Act. Many of these threats have already and will likely continue to depress herd numbers and future license sales.
- Furthermore, participation in hunting and fishing is declining .
- Nationally, between 1996 and 2006 the number of people who hunted declined by nearly 11% and those that fished by nearly 15%, although some increases in participation may have occurred in the last five years.
- Exact data on Wyoming hunting and fishing participation trends is not available, but national surveys of state residents suggest declines.



# Non-traditional Funding





- Simply stated, wildlife conservation and management in Wyoming can no longer be sustained primarily by sportsmen and women through hunting and fishing specific user fees.
- In the absence of new significant long-term funding sources, it is unlikely that future Wyomingites will be able to enjoy the same abundance and diversity of wildlife and outdoor recreational opportunities which we have become accustomed.
- This issue is not new; it has been discussed since 1976 and brought to the attention of the Wyoming legislature on several occasions, and in fact was the reason for the recent legislative approval of general funding for select WGFD programs benefiting everyone in the state not just hunters and anglers. Although previous attempts to achieve a non-traditional funding source for the WGFD have been unsuccessful, periodic license fee adjustments, general funds, and new revenue sources like non-resident preference points and application fees have kept the agency going. As time passes, stakes get higher as challenges increase in number and complexity and the timeframe in which to address them more pressing.



- Other states such as Missouri, Arkansas, Minnesota and Arizona have been successful in addressing this challenge after multi-year sustained efforts working with their legislatures and constituents.
- The WGFD has established an internal funding team to investigate this issue, but a solution will take imagination and involvement of a broad constituency including the legislature.
- In summary, the department's current focus is to address our immediate revenue shortfall but a dialogue needs to start on how to address the long-term funding challenge for wildlife management in Wyoming.



“For more than a century our law makers have recognized the aesthetic and economic value of wildlife to the people of this state, this nation and the world. I think we can look back and marvel at the foresight that those early law makers had and the bold steps they took to conserve wildlife. If it were not for them, we would not enjoy the diversity and abundance of wildlife we now have under our care.” – Director Scott Talbott, Wyoming Game and Fish Department